

Message Text

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FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC 4783

UNCLAS KINGSTON 1789

E.O. 11652: N/A

TAGS: EMIN JM

SUBJ: SEAGA ON BAUXITE : BAUXITE SITREP 62

1. DURING HIS MORE THAN FOUR AND ONE-HALF HOUR SPEECH ON THE 1974-75 BUDGET, MAY 21, THE OPPOSITION SPOKESMAN ON FINANCE AND FORMER MINISTER OF FINANCE, EDWARD SEAGA, ACKNOWLEDGED THAT SOME OF THE PROVISIONS OF THE EXISTING BAUXITE CONTRACTS WERE UNDESIREABLE. HE CITED THE LONG PERIOD OF "LOCK IN" IN RESPECT TO THE ABILITY TO RENEGOTIATE, THE LOW LEVEL OF ROYALTY AND THE METHOD WHICH HAD BEEN USED IN COMPUTING THE INCOME TAX PAYMENT. THERE WAS, THEREFORE, A NEED FOR THE REVISION OF THE CONTRACTS AND THE TIMING WAS PROPITIOUS IN THE CONTEXT OF PRESENT WORLD ECONOMIC CONDITIONS, INCLUDING THE INCREASED PRICE OF OIL. "GOVERNMENT IS TO COMMENDED FOR THE SPEED WITH WHICH IT MOVED TO TAKE ADVANTAGE OF THE PRESENT SITUATION," HE SAID, "AND FOR THE ROLE IT HAD PLAYED IN THE FORMATION OF THE INTERNATIONAL BAUXITE ASSOCIATION.-

2. SEAGA AID THAT THE PRESENT TAX PROPOSALS WOULD OBIVIATE THE PROBLEMS PREVIOUSLY ASSOCIATED WITH THE COMPUTATIONS WHICH HAD BEEN MADE FOR INCOME TAX LURPOSES. IT WOULD ALSO ELIMINATE THE ROLE OF THE USIRS IN THE AREA. THER WAS "POSITIVE SUPPORT FROM THE OPPOSITION FOR THE REVISION OF THE AGREEMENTS.

3. SEAGA SAID, HOWEVER, THAT IT WAS REGRETTABLE THAT NO AGREEMENT HAD BEEN REACHED BETWEEN THE GOJ AND THE COMPANIES ON THE NEW

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LEVY AND THERE EXISTED THE POSSIBILITY OF FINAL DIEAGREEMENT. HE

DESCRIBED THE GOVT'S ANNOUNCEMENT OF "VAST REVENUES" AS PREMATURE AND QUESTIONED WHETHER THE GOVT HAD A CONTINGENCY PLAN IN THE EVENT THERE WAS A PERMANENT RUPTURE WITH THE BAUXITE COMPANIES. IF THE GOVT PLANNED ACQUISITION OF THE COMPANIES, THE INCREASED REVENUES WOULD HAVE TO BE USED FOR COMPENSATION AND THE COUNTRY WOULD BE NO BETTER OFF IN TERMS OF IMMEDIATE ADDITIONAL REVENUE. IF THE GOVT INTENDED TO CONTINUE DEALING WITH THE PRESENT COMPANIES, THEN IT HAD BETTER GET BACK TO THE BARGAINING TABLE, ACCORDING TO SEAGA.

4. TURNING TO THE ICSID PROBLEM, SEAGA SAID THAT THE GOJ ACTION OF WITHDRAWING BAUXITE AS AN AREA OF DISPUTE UNDER THE JURISDICTION OF ICSID APPEARED TO BE ONE OF RUNNING AWAY, NOT ONE OF WISHING TO TEST BY LAW WHAT IT CLAIMED BY RIGHT. MORE THAN BAUXITE WAS INVOLVED IN THAT DECISION, HE SAID, FOR IT MEANT THAT ANY OTHER AREA COULD BE WITHDRAWN AT ANY TIME. THIS COULD HAVE AN ADVERSE EFFECT ON JAMAICA'S FINANCIAL FUTURE BEYOND THE PRESENT GAIN.
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